GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

STARRED QUESTION NO:340
ANSWERED ON:08.12.2016
Share of ATF in Operating Cost of Airlines
Dubey Shri Satish Chandra

Will the Minister of CIVIL AVIATION be pleased to state:

(a) the share of Aviation Turbine Fuel (ATF) in total operating cost of any airline;

(b) the trend of prices of ATF during the period from June 2015 to August 2016;

(c) the tax charged on ATF per kilolitre;

(d) whether the burden of the increase in the prices of ATF is likely to be passed on to the passengers and if so, the details thereof; and

(e) whether the benefit of decline in the prices of ATF is also likely to be passed on to passengers by all the airlines and if so, the details thereof?

Answer

Minister of CIVIL AVIATION

(Shri Ashok Gajapathi Raju Pusapati)

(a) to (e): A Statement is laid on the table of the House.

Reply of part (a) to (e) to Lok Sabha Starred(*) Question no. 340 regarding "Share of ATF in Air Fare". ; (a): Aviation Turbine Fuel (ATF) constitutes about 40-50% of Operational cost of an airline in India. ; ;

(b): The ATF prices during the period from June 2015 to August 2016 is at Annexure. ; (c): Basic excise duty @ 14% is applicable on manufacture of Aviation Turbine Fuel (ATF). However, ATF drawn by operators or cargo operators from the Regional Connectivity Scheme (RCS) airports is subject to basic excise duty at a concessional rate of 2%, for a period of 3 years from 26.08.2016 upto 25.8.2019. Basic excise duty of 8% is applicable for supply of ATF to schedule commuter airlines (SCA) from the regional connectivity scheme (RCS) Airports. The VAT charged at Delhi, Mumbai, Kolkata Airport is 25 % and 29% for Chennai Airport. ; ;

(d) and (e): No such analysis has been carried out by the Government. Air fares are, established by the airlines under the provision of Sub Rule (1) of Rule 135 of Aircraft Rules 1937, considering all relevant factors, including the cost of operation, characteristics of service, reasonable profit and the generally prevailing tariff. The airfares so established are required to be displayed under the provisions of Sub Rule (2) of Rule 135 of Aircraft Rules 1937. Airline remains compliant to the regulatory provisions of Rule 135 as long as the fare charged by them does not exceed the fare established and displayed on their website.Airfares are not regulated by the Government and airlines are free to fix reasonable charges/fee subject to compliance with rule 135 of Aircraft Rules 1937. The prices are fixed by airlines keeping in mind the market demand, seasonality and other market forces. ;